

CITY OF REINBECK

**Independent Accountants' Report
On Applying Agreed-Upon Procedures**

**For the Period
July 1, 2015 through June 30, 2016**

CITY OF REINBECK

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CITY OF REINBECK

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2016)</u>		
Tim Johnson	Mayor	Jan 2016
Jamie Eiffler	Mayor Pro-Tem	Jan 2016
Brian Bunz	Council Member	Jan 2016
Angie Linder	Council Member	Jan 2016
Mike Harrison	Council Member	Jan 2018
Jordan Muller	Council Member	Jan 2018
Julie Wilkerson	City Administrator/Clerk	Indefinite
Abby Wessel	City Attorney	Indefinite

(After January 2016)

Tim Johnson	Mayor	Jan 2020
Jamie Eiffler	Mayor Pro-tem	Jan 2020
Jordan Muller	Council Member	Jan 2018
Mike Harrison	Council Member	Jan 2018
Brian Bunz	Council Member	Jan 2020
Angie Linder	Council Member	Jan 2020
Julie Wilkerson	City Administrator/Clerk	Indefinite
Abby Wessel	Attorney	Indefinite

Reinbeck Telecommunications Utility Board

Dan Smoldt	Chairman	Jan 2019
Jared Baker	Board Member	Jan 2017
Nick Suender	Board Member	Jan 2018
Kristin Schiller	Board Member	Jan 2020
Adrian Johnson	Board Member	Jan 2021



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor, Members of the
City Council and Members of the Reinbeck
Telecommunications Board:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Reinbeck for the period July 1, 2015 through June 30, 2016. The City of Reinbeck's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council and Reinbeck Telecommunications meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's and Reinbeck Telecommunications' internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council and Reinbeck Telecommunications board.
5. We reviewed City funds for consistency with the City Finance Committee's recommended uniform chart of accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384, and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements, and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City and Reinbeck Telecommunications. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Reinbeck, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Reinbeck and other parties to whom the City of Reinbeck may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Reinbeck during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 13, 2016

CITY OF REINBECK
Detailed Recommendations
For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City and Reinbeck Telecommunications:

- (1) Cash – collecting, recording, and reconciling.
- (2) Payroll – recordkeeping, preparation and distribution.
- (3) Utilities – billing, collecting, recording, and depositing.
- (4) Financial reporting – preparing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Reinbeck Telecommunications should review its internal control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- (B) Minutes – Minutes of the Reinbeck Telecommunications Board meetings are not signed as required by Chapter 380.7 of the Code of Iowa.

Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council and Reinbeck Telecommunications proceedings to be published within fifteen days of the meeting. Only one of the four monthly minutes reviewed for the Reinbeck Telecommunications were published within fifteen days.

The Reinbeck Telecommunications Board went into closed session on December 14, 2015. There was no documentation of a roll call vote as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The Reinbeck Telecommunications Board should comply with the Code of Iowa and sign their minutes to authenticate the actions taken, publish Reinbeck Telecommunications' minutes within fifteen days of the meeting and document in the minutes a roll call vote when entering into and returning out of a closed session in order to comply with Chapter 21 of the Code of Iowa.

- (C) Payroll Taxes – A payroll tax deposit that was due July 1, 2015 was not made until October 13, 2015. As a result, the City incurred penalty and interest charges.

Recommendation – The City should ensure that all payroll tax payments are deposited timely.

- (D) Payroll – Although salaries were approved by the City Council, one employee was not paid the approved salary amount. Additionally, overtime was incorrectly computed on an employee.

Recommendation – All employees should be paid their approved salary. Additionally, overtime should be properly computed based on actual hours worked for all employees.

CITY OF REINBECK

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings collections and delinquent accounts were not reconciled throughout the year for the Reinbeck Telecommunications accounts.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The Reinbeck Telecommunications Board or other independent person designated by the Reinbeck Telecommunications Board should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (F) Financial Condition – At June 30, 2016, the City had a deficit balance in the following fund:

Fund	Amount
Proprietary:	
Cable Television	\$ 55,638

Recommendation – The City should take immediate steps to reduce and eventually eliminate this deficit to return the fund to a sound financial position.

- (G) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (H) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Julie Wilkerson, City Administrator, spouse is owner of Wilkerson Hardware	Supplies	\$ <u>5,911</u>

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since the total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

CITY OF REINBECK
Detailed Recommendations
For the period July 1, 2015 through June 30, 2016

- (I) Sewer Revenue Note – The City has a sewer revenue note in the amount of \$1,554,000 at June 30, 2016. The resolution for the sewer revenue note provides in part, that sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due. The City is not currently making these monthly transfers

Further, the sewer revenue note requires the City to maintain user rates at a level to ensure net receipts are equal to at least 110% of the principal and interest due in that year. The City's Enterprise, Sewer Fund balance at June 30, 2016 is \$50,990, which is below the required balance of \$196,683.

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the sewer sinking account monthly and future note and interest payments should be made from the sinking account, as required.

The City should adjust user rates or reduce other expenses to ensure net receipts equal at least 110% of the principal and interest due each year.

CITY OF REINBECK

Staff

This agreed-upon procedures engagement was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

Personnel:

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Taylor G. Johnson, C.P.A., Staff